

# ARRA

The American Recovery and  
Reinvestment Act

Comptroller of the Treasury  
Division of County Audit  
Division of Municipal Audit

# ARRA

- ARRA, Recovery Act, Stimulus Plan Objectives:
  - Preserve and Create Jobs and promote economic recovery.
  - Assist those most impacted by recession
  - Provide investment to spur advances in science and health.
  - To invest in infrastructure.
  - To stabilize state and local government budgets.

# ARRA

## ■ Overview:

- Will impact many local governments.
- Does not provide significant stabilization funds for local budgets (exception – schools).
- Financial impact of grants will be most prominent in two areas:
  - Education (Title 1 and IDEA)
  - Criminal Justice

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## ■ Overview:

- Transparency and Accountability are the latest buzz words under the Act.
- Since most of the ARRA funds are being released as grants, OMB will set compliance standards.
- OMB guidance was initially provided on 2/18/09 and then expanded on 4/3/09.

# ARRA

## ■ Overview:

- OMB - New CFDA Numbers.
- OMB - Reporting on the Schedule of Expenditures of Federal Awards (SEFA).
- OMB - New audit procedures?
- OMB - No low risk programs.
- OMB – New Compliance Supplement?

# ARRA

## ■ Overview:

- State and Local Governments are using OMB guidance to prepare for implementation.
- Local governments, as sub-recipients, are not technically required to file reports directly to the Federal Government. They will be required to report to the state agencies because state agencies are required to report. (Exception – Direct payments from Federal Government.)

# ARRA

- Primary Funding Agencies:
  - Finance and Administration (e.g. Criminal Justice, Byrne, \$50M)
  - Human Services (e.g. Weatherization, \$102M)
  - Environment and Conservation (e.g. Clean Drinking Water, \$56M)

# ARRA

- Primary Funding Agencies:
  - Economic and Community Development (e.g. No Match Energy Block Grants)
  - Education (e.g. Title 1 and IDEA, \$500M)
  - Very little money has been released to local governments.
  - How will local governments recognize the ARRA Funds.



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- Primary Funding Agencies:
  - State Agencies -
    - Visit [www.tnrecovery.gov](http://www.tnrecovery.gov)

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- Primary Funding Agencies:
  - TDOT will not be providing grants to local governments.
  - Many of the grants will be competitive.
  - Certain grants will only be provided through nonprofit agencies.
  - Other grants will be provided directly from the federal government.
    - Visit [www.recovery.gov](http://www.recovery.gov)

# ARRA

## ■ Grant Requirements:

- **General -**

- Before any city or county government decides to apply or accept ARRA grants, the government should determine whether it is willing and able to comply with the strict accounting, internal control, and reporting requirements.

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## ■ Grant Requirements:

- **Accounting -**

- Office of Tennessee Recovery Act Management (TRAM) Interim Directives -

- Must appoint a senior accountable official for Recovery Act activities.
- Must account for ARRA funds separately from other government revenues and expenditures.
- Ensure proper procurement and grant management.
- Ensure programs are carried out expeditiously, in an effective and efficient manner.
- Submit an Action Plan?

# ARRA

## ■ Grant Requirements:

- **Accounting -**

- ARRA Provisions -

- Follow guidance in the Grant Agreement.
    - Track the number of jobs created or retained.
    - Completion status of the project.
    - Buy America requirements.
    - Davis Bacon requirements.
    - Cannot be used for Casino or other gambling establishment, aquarium, golf course, or swimming pool. (Strict penalties).

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## ■ Grant Requirements:

- **Internal Controls -**

- Office of Tennessee Recovery Act Management (TRAM) Interim Directives -

- Governments are responsible for establishing an appropriate internal control environment, including approvals, adjustments, recordkeeping, reconciliations, segregation of duties, and supervision (as prescribed by Comptroller for local governments).
- The internal control environment must facilitate external monitoring and post-audit activity.

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## ■ Grant Requirements:

- **Internal Controls -**

- Office of Tennessee Recovery Act Management (TRAM) Interim Directives -

- All local governments are required to adopt a risk assessment process for all ARRA grants.
- The risk assessment should include risk identification, evaluation, and mitigation.
- The risk assessment must address meeting program requirements and objectives.

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- Grant Requirements:

- Internal Controls -

- ARRA Provisions –

- Follow OMB guidance from Circular A-133.
      - “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”



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- Grant Requirements:
  - Reporting -
    - Office of Tennessee Recovery Act Management (TRAM) Interim Directives -
      - Submit state specific reports as requested.

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## ■ Grant Requirements:

- **Reporting -**

- Section 1512 ARRA Provisions–

- Report no later than 10 days after the end of each calendar quarter (Possible problem for Local Govnts.).
    - Report cumulative funds received, funds expended or obligated, project name, project activity, completion status, jobs created and/or retained, infrastructure projects, and contracts and subcontracts.
    - Other “Data Elements” will also be tracked and reported to comply with Section 1512.

# ARRA

- Division of County and Municipal Audit Guidance:
  - Website [www.tn.gov/comptroller](http://www.tn.gov/comptroller)
    - Accounting –
      - The Uniform Chart of Accounts has been changed to facilitate implementation of separate accounting records.

# ARRA

- Division of County and Municipal Audit Guidance:
  - Internal Controls and Risk Assessment
    - Prescribed internal control procedures.
    - Prescribed risk assessment procedures.

# ARRA

- Division of County and Municipal Audit Guidance:
  - Information and updates available on our websites
    - TRAM Interim Directives.
    - Internal control and risk assessment guidance.
    - Changes to Uniform Chart of Accounts.
    - Letter to local governments.
    - Other updates as necessary.

# ARRA

- Division of County and Municipal Audit Guidance:
  - Numerous Meetings to gather information.
  - Sent email to our staff.
  - Staff training.
  - Staff to gather data and advise counties during interim work.
  - CTAS/MTAS meeting.
  - Letter to Officials.

# ARRA

## ■ Concluding Thoughts:

- Accountability and transparency under ARRA is not business as usual!
- ARRA is not the answer to local government budget problems.
- ARRA funds are not permanent. Local governments must understand the ramifications of accepting ARRA grants from beginning to end!

# ARRA

- Concluding Thoughts:
  - Expect the rules to change! (e.g. Federal agencies can require additional procedures)
  - Program specific questions are best directed to state agencies.
  - Possible Problem. Will governments be able to utilize all the funding?
  - Department of Audit has received no funding (This may change).
  - Will the requirements (e.g. reporting) of the Act end when funding ends?



# ARRA

- CTAS website:
  - [www.ctas.utk.edu](http://www.ctas.utk.edu)
- MTAS website:
  - [www.mtas.tennessee.edu](http://www.mtas.tennessee.edu)

# ARRA Questions?

[www.tn.gov/comptroller](http://www.tn.gov/comptroller)



# ARRA

- Comptroller Contacts:
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